

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PARKSVILLE WATER DISTRICT; RONALD)
RUSSELL; A.B. FEATHER; CARL LEFFEW;)
W.C. BABINGTON; AND JERRY FEATHER)
)
_____) CASE NO. 95-136
)
ALLEGED FAILURE TO COMPLY WITH)
COMMISSION ORDER)

ORDER TO SHOW CAUSE

Parksville Water District ("Parksville"), a water district organized pursuant to KRS Chapter 74, owns and operates facilities used for the distribution and furnishing of water to the public for compensation in Boyle County, Kentucky, and is therefore a utility subject to Commission jurisdiction. KRS 278.010(3)(d); KRS 278.015.

Ronald Russell is the Chairman of Parksville. A.B. Feather is the Treasurer and former Manager of Parksville. Carl Leffew is the Secretary of Parksville. W.C. Babington is the present Manager of Parksville and an employee of Kennoy Engineers, Inc. Jerry Feather is the Assistant Manager of Parksville. All are persons subject to Commission jurisdiction. KRS 278.010(2), KRS 278.010(3)(d); KRS 278.015.

By Order of the Commission dated December 13, 1988, Parksville was authorized to assess a monthly surcharge of \$2.56 per customer

for a period not to exceed 75 months.¹ The proceeds of this surcharge were to be invested in a separate interest bearing account and used only for the retirement of Parksville's long-term balloon payment. This \$210,000 balloon payment was to be made to Parksville's bondholders in August 1995 under the terms of its bond ordinance. If the total surcharge proceeds and any accumulated interest earned thereon reached \$210,000 before the 75 month period ended, Parksville was to cease assessing the surcharge.

On January 25, 1995, Parksville applied, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity to construct a \$1,305,000 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates.² Information submitted in support of this application showed that Parksville had failed to comply with the Commission's December 13, 1988 Order regarding the surcharge.

After the fourth quarter of 1994, Parksville reported surcharge collections of \$176,982.97. Its surcharge account balances, however, totaled only \$93,156.37. The district has not accounted for the difference of \$83,826.60. As all proceeds from the surcharge were to be used to make Parksville's long-term

¹ Case No. 10332, The Application of Parksville Water District, of Boyle County, Kentucky, for Approval of the Increased Water Rates Proposed to be Charged by the District to Customers of the District.

² Case No. 95-034, The Application of Parksville Water District of Boyle County, Kentucky, for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant to KRS 278.023.

balloon payment, Parksville has clearly acted contrary to the Commission's Order.

According to information supplied the Commission in Case No. 95-034, Parksville's surcharge account was closed in February 1995. Of the \$93,156.37 total balance, \$40,000.00 was paid to Kennoy Engineers, Inc., for unspecified costs; \$10,000.00 was paid to John Hughes, Attorney, for unspecified costs; \$10,500.00 was paid to Marine Midland Bank, one-half for August 1, 1994, bond interest and one-half for March 1, 1995, bond interest; and \$24,500.00 went into a "Supervised Construction Account." The remainder of the surcharge funds, \$8,156.37, was placed in Parksville's operating account. Again, as all proceeds from the surcharge were to be used to make Parksville's long-term balloon payment, these uses of the surcharge collections were contrary to the Commission's Order.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that a prima facie showing has been made that Parksville has failed to comply with ordering paragraph 4 of the Commission's Order dated December 13, 1988 in Case No. 10332 regarding investing the proceeds of the authorized surcharge in a separate interest bearing account to be used only to make Parksville's long-term balloon payment.

IT IS THEREFORE ORDERED that:

1. Parksville, Ronald Russell, A.B. Feather, Carl Leffew, W.C. Babington, and Jerry Feather shall appear at a hearing scheduled for June 9, 1995 at 10:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane,

Frankfort, Kentucky, to explain the discrepancy between the surcharge collections and the surcharge account balances, to explain the use of the remaining surcharge account balances and to show cause, if they can, why they should not be penalized pursuant to KRS 278.990 for their failure to comply with an Order of the Commission entered December 13, 1988.

2. Parksville, Ronald Russell, A.B. Feather, Carl Leffew, W.C. Babington, and Jerry Feather shall file, within 20 days of the date of this Order, a written explanation for the discrepancy between the total surcharge collections and the surcharge account balances after the 1994 fourth quarter report. An accounting of how all surcharge funds were disbursed shall be incorporated in this explanation.

3. Parksville, Ronald Russell, A.B. Feather, Carl Leffew, W.C. Babington, and Jerry Feather shall also file, within 20 days of the date of this Order, a written explanation for the use of the remaining surcharge account balances for purposes other than the retirement of Parksville's long-term balloon payment, including a thorough accounting of each expenditure therefrom.

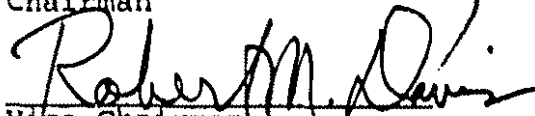
4. Any motion requesting an informal conference with Commission Staff to consider the simplification of issues or any other matters which may aid in the handling or disposition of this

proceeding shall be filed with the Commission no later than 20 days from the date of this Order.

Done at Frankfort, Kentucky, this 5th day of April, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director